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COMMUNIST CHINA INCREASES PURCHASES OF NATURAL RUBBER



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COMMUNIST CHINA INCREASES PURCHASES
OF NATURAL RUBBER

Imports of natural rubber by Communist China during the first 7 months of 1962 were almost double those for the comparable period of 1961 according to the Rubber Statistical Bulletin. The increase in Chinese imports of natural rubber appears to reflect growing requirements of the Chinese economy for fabricated rubber articles, which, in turn, suggests a resurgence of some types of economic activity in China.

Following a decline in 1961, imports of natural rubber by Communist China have risen sharply, totaling 70,600 metric tons (mt) for the first 7 months of 1962 compared with 35,800 mt in the same period of 1961. 1/ Virtually all the rubber imported so far this year has been obtained from Indonesia and Ceylon. There were indications early in 1962 that Indonesia planned to supply 80,000 to 90,000 mt in 1962 and that Ceylon has definitely agreed to supply 31,000 mt of rubber in exchange for 200,000 mt of rice. 2/ If Chinese imports of rubber continue at the same level, thereby fulfilling their reported trade plans, total imports of natural rubber in 1962 will exceed those in 1961 (85,000 mt) by about 40 to 45 percent. Thus imports of rubber in 1962 will approach the record level of 120,000 mt imported in 1960, 3/ when some rubber was reexported to other countries of the Sino-Soviet Bloc. Because reexports have declined, total Chinese net imports for the whole of 1962 may set a record.

The Chinese Communists appear to have been increasing their purchases of natural rubber in order to expand production of rubber products for agriculture and consumer goods. Chinese press accounts have highlighted the increased efforts to supply agriculture with rubber products such as tires for tractors and carts, rubber hose for pumps, and conveyor belts. 4/ The Chinese also have claimed that 36 million more pairs of rubber shoes were produced in the first half of 1962 than in the same period of last year 5/ and that the production capacity and output of two rubber fabricating facilities were increased this year. 6/

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A drop in world rubber prices during 1962 7/ has enabled the Chinese Communists to buy more natural rubber for the same amount of money, but neither this factor nor possible increased Chinese requirements for reexport or stockpiling are believed to be primarily responsible for the rise in Chinese imports. World market prices for natural rubber have been declining -- partly because of increasing competition from synthetic rubber -- and there is little expectation of a return to the high price levels prevailing before 1961. Consequently, favorable prices probably can be ruled out as a motivating factor in the increased Chinese buying. Similarly it appears that reexports can account for only a small part of the accelerated purchasing. Since the rift with the USSR, Chinese reexports of natural rubber to that country have been discontinued, 8/ and reexports to North Korea and the European Satellites have been limited. In view of China's precarious foreign exchange position and the existence of ample capacity in the rubber industry, it is unlikely that the increase in imports of natural rubber has been for stockpiling the rubber as a raw material.

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